

**Written Testimony
For California Performance Review Hearing
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I am Robin MacGillivray, president of Business Communications Services for SBC California. I appreciate the opportunity to provide this written testimony for the Little Hoover Commission, and look forward to addressing the Commissioners personally in Sacramento on Nov. 17.

I am pleased to receive this invitation to testify. The California Performance Review team has done an outstanding job at identifying ways to make state government more effective and more responsive to the people of California. I am honored to be asked to comment on their recommendations and to offer practical lessons on transformational change in large organizations.

I am sure you will agree that few industries have undergone a more profound transformation in the past two decades than telecommunications. I have had the opportunity to participate in this revolution beginning with the 1984 divestiture of AT&T that shattered the telephone monopoly and propelled the country into an era of telecommunications competition.

While this revolution has been at times disruptive, it has spawned an environment that continuously innovates, produces and disseminates new services to consumers, such as wireless and broadband communications. It has also created a competitive marketplace that drives quality up and price tags down. For example, today it is cheaper to place a call from Sacramento to Beijing than it was 20 years ago to place a call from San Francisco to San Jose.

Like the telecom revolution, the CPR initiative also has the potential to be disruptive – as Gov. Schwarzenegger so eloquently put it, it plainly seeks to “blow up the boxes.” More significantly, it also has the potential to drive quality up and price tags down across our state. I would like to talk about how such creative destruction has changed my industry and offer up some suggestions based on our “lessons learned”.

Following divestiture, I had the opportunity to hold leadership roles in one spin-off (Airtouch Cellular from Pacific Telesis), two mergers (Pacific Telesis and Ameritech joining SBC), and three major initiatives designed to radically re-engineer core processes at SBC, one of which was actually called “CPR.”

Four key questions were at the heart of each of these change events:

- 1) What are our core competencies – What is it we do well and must continue to do well in order to succeed and grow? (e.g., operate telecommunications networks) vs What is non- essential to our success that should be stopped or delegated to others? (e.g., food services);
- 2) What organizational structure will best execute these competencies?
- 3) In what technology must we invest in order to accomplish our aims?
- 4) What rules and/or policies are needed to reinforce, govern and enable our efforts.

CPR is and should ask and answer these same questions. An articulation of core competencies and elimination of all that is not core is critical; a new organizational structure for our government is critical; the deployment of state of the art technology is critical; And, continual re-evaluation of the rules, policies and regulations our state promulgates on the marketplace and on itself is also critical.

Specifically to this last point, regulation should provide a framework that encourages businesses to operate and invest in California. I urge the State to revisit existing

regulations as many if not most need to be updated or eliminated to reflect the changing world of which our state and its people are a part.

For example, the California Public Utilities Commission today requires a rulemaking procedure to allow SBC and other telecom providers to lower prices. That's right – in some cases, we could be violating the law if we unilaterally reduced customer prices. Clearly, such rules need to be re-examined to meet the realities of today's marketplace.

Change is not easy. But, based on my own experiences and lessons learned through the course of my many opportunities to lead change, I believe that meaningful transformation can occur in large organizations, and specifically the State of California, if leaders address the following ten items:

- 1) Significant change cannot be accomplished by issuing an order. To enact a new vision, leaders must create a “burning platform” that will motivate the organization to jump from the comfort of “today”, into a different “tomorrow.” Followers want leaders to help them understand *why must we change?*
- 2) Speaking of leaders, it is essential that there be one! Followers want to know, *who's in charge?* Having said that, careful attention needs to be paid the formation of the teams that will actually do the hard work of change. Those conferred with driving the change can't just be a random collection of individuals – they must be integrated and empowered teams selected to accomplish specific results.
- 3) These leaders and teams must create and share a framework or blueprint for accomplishing change. Followers want leaders to tell them *what are we going to do, when?*
- 4) There must be a clear articulation of measurable goals. Followers want leaders to tell them *how will we know we've succeeded?*
- 5) There must be quantifiable intermediate milestones to assess progress toward the ultimate goals.

- 6) There must be a schedule of reporting tied to those intermediate goals to ensure that the transformation remains on track
- 7) While the process is under way, a “cheerleader” must be entrusted with the role of maintaining momentum and belief in the program.
- 8) Success builds on success. “Early wins” must be spotlighted in order to keep participants enthusiastic and confident of attaining the ultimate goals.
- 9) Know when you’ve won. Transformational change requires a definitive ending point. You have to not only know where you want to go, you have to know when you’ve arrived. (That said, I do urge the state, to address now, in advance of CPR’s success, an ongoing process re-engineering program in order to continually strive for additional incremental improvements.)
- 10) The successful change must be “celebrated” in order to recognize the achievement of transformation, as well as to cement the perception that the project has succeeded.

The CPR may seem a daunting task for an organization as large as state government. But SBC, with more than 160,000 employees, has accomplished profound changes over the past decade in order to adapt new technologies and meet the rapidly evolving demands of our business and residential customers.

Such organizational changes at the state can vastly improve the value of the services that it provides to the businesses and residents of California, and meet their evolving demands.

In conclusion, as was our experience at SBC, the state should focus on its core competencies; it should create organizational structures that execute; it should invest in appropriate technology; and it should implement regulations that enable success.

While the state is not a business, its leaders need to continually be aware that California is in competition with the rest of the country – and the world – for economic

development. The choices and changes that CPR calls for will have a dramatic impact on the ability of its citizens and businesses to improve lives and livelihoods. Government should focus tightly, organize effectively, invest wisely and regulate thoughtfully in order to best serve its owners and customers – the people of California.

I thank the Commission for the opportunity to participate in this review and look forward to further participating in this process.